

Message Text

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ORIGIN OPIC-06

INFO OCT-01 EA-06 ISO-00 EB-07 COME-00 AID-05 CIAE-00

INR-07 NSAE-00 XMB-02 L-02 /036 R

66617

DRAFTED BY: OPIC/GC SFRANKLIN

APPROVED BY: EB/IFD/OIA RJSMITH

EB/IFD/OIA:DHSTEBBING

EA/TB:JAKLEMSTINE (INFO)

OPIC/T - LEO NIELSON

IPIC/P - DAVID GREGG

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O 282228Z FEB 75

FM SECSTATE WASHDC

TO AMEMBASSY BANGKOK IMMEDIATE

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E.O. 11652: N/A

TAGS: EFIN, TH

SUBJECT: SIAM KRAFT PAPER CO. ("SKPC")

FOR OPIC TREASURER MULLER AT ERAWAN HOTEL FROM GREGG

1. BY SEPTTEL, OPIC IS CABLING MULLER EXPRESS AUTHORITY TO NEGOTIATE AND EXECUTE THE MEMORANDUM OF UNDERSTANDING.
2. H. LEVE AND QUASHA LAW FIRM TO BE RETAINED TO REPRESENT EXIMBANK AND OPIC. EXIMBANK TO ISSUE CONTRACT AND OPIC TO REIMBURSE EXIM. FEES ARE HIGH (\$65 PER HOUR FOR LEVE) BUT HAVE BEEN APPROVED BY GREGG. COUNSEL TO BE USED PRIMARILY TO ADVISE ON THAI LAW AND PRACTICE AS REQUESTED BY EXIMBANK AND OPIC. MULLER SHOULD DEFER TO GAINER'S JUDGEMENT IN THIS REGARD.
3. OPIC'S DESIRE IS TO PUSH FOR SIGNING OF MEMORANDUM OF LIMITED OFFICIAL USE

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UNDERSTANDING BEFORE REACHING ANY ACCORD RE CLAIMED

PRIORITIES. THE THAIS, KRUNG THAI BANK MORE THAN OTHERS, MAY DESIRE RESOLUTION PRIOR TO SIGNING BECAUSE THEIR BARGAINING POWER IS STRONGER AT THAT POINT. SINCE A SUBSTANTIAL PART OF SKPC'S RECENT BORROWING BASED ON PLEDGED ASSETS AND ASSIGNMENTS (VIZ SCC GUARANTY OF 50 MILLION BAHT LOAN AND KRUNG THAI LOAN OF 100 MILLION BAHT) WERE CLAERLY IN VIOLATION OF THE NEGATIVE COVENANTS IN THE BOA LOAN AGREEMENT AND LIMITATIONS PLACED BY EXIMBANK AND OPIC ON FINANCING THE IMPROVE-MENT PROGRAM (I.E. USING TRUST RECEIPTS TO FINANCE PURCHASE OF MACHINERY RATHER THAN MEDIUM TERM SUPPLIER CREDITS), OPIC DOES NOT WISH TO ALLOW THAI CREDITORS TO USE THE CRISIS SITUATION AS A MEANS OF PRESSURING OPIC INTO WAIVING ANY CUASE OF ACTION TO SET ASIDE SUCH PREFERENCES. MULLER SHOULD USE HIS JUDGEMENT ON ANY AGREEMENT REACHED BUT KEEP OPIC ADVISED.

4. REQUEST MULLER PASS SUBSTANCE OF THIS MESSAGE TO GAINER.

5. BEST OF LUCK IN YOUR EFFORTS. KISSINGER

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